

Introduced by Senator Florez

February 17, 2010

An act to amend Section 44281 of, and to add Section 40708.5 to, the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 1114, as introduced, Florez. Emission reduction credits: private and public moneys.

Existing law prohibits the creation of an emission reduction credit from air pollution reductions funded by certain public programs. Existing law creates air quality management districts and air pollution control districts and requires these districts, except as otherwise provided, to establish a system by which all reductions in the emission of air contaminants that are to be used to offset certain future increases in the emission of air contaminants are to be banked prior to use to offset future increases in emissions.

This bill would authorize a district to create an emission reduction credit from a marine vessel or locomotive emission reduction project that is funded by both public and private moneys. An emission reduction credit created pursuant to this provision would be created only for the percentage of the emission reduction project that is paid for by private moneys. The bill would provide that the state share of the credit would be 80%, and the Treasurer would be required to sell this ownership share, and deposit the proceeds into the Emission Reduction Credit Sales Fund, which the bill would create.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 40708.5 is added to the Health and Safety
2 Code, to read:

3 40708.5. (a) A district may authorize the creation of an
4 emission reduction credit from a marine vessel or locomotive
5 emission reduction project, including an emission capture project,
6 that is funded by both public and private moneys.

7 (b) An emission reduction credit shall be created pursuant to
8 subdivision (a) only for the percentage of the emission reduction
9 project that is paid for by private moneys. The emission reduction
10 credit created from the portion of the project paid for by private
11 moneys shall be divided between the person or persons who
12 contributed the private moneys and the state. The state shall receive
13 20 percent of the credit and the private contributor or contributors
14 shall receive 80 percent of the credit.

15 (c) The Treasurer shall sell the state's ownership interests in
16 the credits created pursuant to this section. The Treasurer shall
17 deposit the proceeds from these sales into the Emission Reduction
18 Credit Sales Fund, which is hereby created in the State Treasury.
19 The moneys in the Emission Reduction Credit Sales Fund shall
20 be available, upon appropriation by the Legislature.

21 (d) This section shall be implemented in a manner consistent
22 with the federal Clean Air Act (42 U.S.C. Sec. 4901 et seq.).

23 SEC. 2. Section 44281 of the Health and Safety Code, as
24 amended by Section 7 of Chapter 707 of the Statutes of 2004, is
25 amended to read:

26 44281. (a) Eligible projects include, but are not limited to, any
27 of the following:

28 (1) Purchase of new very low or zero-emission covered vehicles
29 or covered heavy-duty engines.

30 (2) Emission-reducing retrofit of covered engines, or
31 replacement of old engines powering covered sources with newer
32 engines certified to more stringent emissions standards than the
33 engine being replaced, or with electric motors or drives.

34 (3) Purchase and use of emission-reducing add-on equipment
35 that has been verified by the state board for covered vehicles.

36 (4) Development and demonstration of practical, low-emission
37 retrofit technologies, repower options, and advanced technologies

1 for covered engines and vehicles with very low emissions of oxides
2 of nitrogen.

3 (5) Light- and medium-duty vehicle projects in compliance with
4 guidelines adopted by the state board pursuant to Title 13 of the
5 California Code of Regulations.

6 (b) ~~No~~A project shall *not* be funded under this chapter after the
7 compliance date required by any local, state, or federal statute,
8 rule, regulation, memoranda of agreement or understanding, or
9 other legally binding document, except that an otherwise qualified
10 project may be funded even if the State Implementation Plan
11 assumes that the change in equipment, vehicles, or operations will
12 occur, if the change is not required by the compliance date of a
13 statute, regulation, or other legally binding document in effect as
14 of the date the grant is awarded. ~~No~~ *Except as provided in Section*
15 *40708.5, a project funded by the program shall not be used for*
16 *credit under any state or federal emissions averaging, banking, or*
17 *trading program. No* *Except as provided in Section 40708.5, an*
18 *emission reduction generated by the program shall not be used as*
19 *marketable emission reduction credits or to offset any emission*
20 *reduction obligation of any person or entity. Projects* *Except as*
21 *provided in Section 40708.5, projects* involving new engines that
22 would otherwise generate marketable credits under state or federal
23 averaging, banking, and trading programs shall include transfer
24 of credits to the engine end user and retirement of those credits
25 toward reducing air emissions in order to qualify for funding under
26 the program. A purchase of a low-emission vehicle or of equipment
27 pursuant to a corporate or a controlling board's policy, but not
28 otherwise required by law, shall generate surplus emissions
29 reductions and may be funded by the program.

30 (c) The program may also provide funding toward installation
31 of fueling or electrification infrastructure as provided in Section
32 44284.

33 (d) Eligible applicants may be any individual, company, or
34 public agency that owns one or more covered vehicles that operate
35 primarily within California or otherwise contribute substantially
36 to the NO_x, PM, or ROG emissions inventory in California.

37 (e) It is the intent of the Legislature that all emission reductions
38 generated by this chapter shall contribute to public health by
39 reducing, for the life of the vehicle being funded, the total amount
40 of emissions in California.

(f) This section shall remain in effect only until January 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2015, deletes or extends that date.

SEC. 3. Section 44281 of the Health and Safety Code, as added by Section 7.5 of Chapter 707 of the Statutes of 2004, is amended to read:

44281. (a) Eligible projects are any of the following:

(1) Purchase of new very low or zero-emission covered vehicles or covered engines.

(2) Emission-reducing retrofit of covered engines, or replacement of old engines powering covered sources with newer engines certified to more stringent emissions standards than the engine being replaced, or with electric motors or drives.

(3) Purchase and use of emission-reducing add-on equipment for covered vehicles.

(4) Development and demonstration of practical, low-emission retrofit technologies, repower options, and advanced technologies for covered engines and vehicles with very low emissions of oxides of nitrogen.

(b) ~~No~~ A new purchase, retrofit, repower, or add-on equipment shall *not* be funded under this chapter if it is required by any local, state, or federal statute, rule, regulation, memoranda of agreement or understanding, or other legally binding document, except that an otherwise qualified project may be funded even if the State Implementation Plan assumes that the change in equipment, vehicles, or operations will occur, if the change is not required by a statute, regulation, or other legally binding document in effect as of the date the grant is awarded. ~~No~~ *Except as provided in Section 40708.5, a project funded by the program shall not be used for credit under any state or federal emissions averaging, banking, or trading program. No* *Except as provided in Section 40708.5, an emission reduction generated by the program shall not be used as marketable emission reduction credits or to offset any emission reduction obligation of any entity. Projects* *Except as provided in Section 40708.5, projects* involving new engines that would otherwise generate marketable credits under state or federal averaging, banking, and trading programs shall include transfer of credits to the engine end user and retirement of those credits toward reducing air emissions in order to qualify for funding under the program. A purchase of a low-emission vehicle or of equipment

1 pursuant to a corporate or a controlling board's policy, but not
2 otherwise required by law, shall generate surplus emissions
3 reductions and may be funded by the program.

4 (c) The program may also provide funding toward installation
5 of fueling or electrification infrastructure as provided in Section
6 44284.

7 (d) Eligible applicants may be any individual, company, or
8 public agency that owns one or more covered vehicles that operate
9 primarily within California or otherwise contribute substantially
10 to the NO_x emissions inventory in California.

11 (e) It is the intent of the Legislature that all emission reductions
12 generated by this chapter shall contribute to public health by
13 reducing, for the life of the vehicle being funded, the total amount
14 of emissions in California.

15 (f) This section shall become operative on January 1, 2015.